

Summary of Proposals

[The revisions made to CDI's proposal at the July 20th workshop are bolded, underlined and italicized]

Under statewide pooling, producers have an incentive to ship their milk to a local plant, which for most producers is a manufacturing plant instead of a more distant Class 1 plant. To encourage sufficient milk supplies for Class 1 plants, three methods currently exist: call provisions (1979), transportation credits (1981), and transportation allowances (1982). The current hearing only addresses the latter two.

Transportation Allowances.

Transportation allowances partially compensate for the cost of hauling milk from a producer's ranch to qualified plants in designated receiving areas. They are funded from the producer pool.

Transportation allowances apply to some market milk moving from the dairy farm to processing plants. This occurs when the receiving plant is located in certain deficit areas and processes more than 50 percent of its production into Class 1, Class 2, and/or Class 3 products. All relevant economic factors are considered in setting allowances, including, but not limited to: (1) CDFA audited hauling costs; (2) distance considerations; (3) local alternative hauling costs; (4) encouragement of close-in milk to be shipped first; (5) local competition for milk; and (6) relative cost to the pool of milk moving under allowances and credits.

In addition, cooperative members receive transportation allowances on shipments to their cooperative plant, which is located in a deficit area, if that plant supplies 40 percent of its receipts for Class 1 usage.

Table 1 summarizes the current allowances and the proposed changes by petitioner (Clover-Stornetta) and by those submitting alternative proposals (Institute, DFA, **CDI**, LOL, and Security).

Transportation credits

Transportation credits are reduction in the obligation handlers pay for Class 1 milk that partially compensates for the cost of hauling milk, and more recently condensed skim, assigned to Class 1 usage from plants in designated supply counties to plants in designated deficit counties. If the supply counties and deficit counties are in different marketing areas, the Class 1 area differentials are added to the transportation credit.

All relevant economic factors are considered in setting allowances, including, but not limited to: (1) CDFA audited hauling costs; (2) distance considerations; (3) encouragement of close-in milk to be shipped first; (4) competition for milk; and (5) relative cost to the pool of milk moving under allowances and credits.

Table 2 summarizes the current credits and the proposed changes by two of those submitting alternative proposals (LOL and CDI).

Table 1 - SUMMARY OF Proposed CHANGES IN TRANSPORTATION ALLOWANCES: Ranch-to-Plant

[The revisions made to CDI's proposal at the July 20th workshop are bolded, underlined and italicized]

HEARING DATE ORDER DATE	CONSTRUCTIVE MILES	DOLLARS PER HUNDREDWEIGHT						
		Current Jun 2003 Aug 2003	Clover- Stornetta Petitioners	Alternative Proposal of Institute	Alternative Proposal of DFA	Alternative Proposal of CDI	Alternative Proposal of LOL	Alternative Proposal of Security
Bay Area Receiving Area 1/ 4/ 5/ From Sonoma and Marin Counties	0 TO 99 99 + TO 199 199 +	\$0.24 0.28 0.30		\$0.15 0.15 0.15		\$0.35 0.39 0.39		
From all other counties	0 TO 99 99 + TO 199 199 +	\$0.24 0.28 0.30		0.24 0.28 0.30		\$0.25 0.29 0.29		
North Bay Area Receiving Area 6/	0 +	0.00		0.20				
Solano Receiving Area	0 TO 44 44 + TO 99 99 +	0.15 0.20 0.25			0.18 0.28 0.38			
Sacramento Receiving Area	0 TO 59 59 +	0.09 0.12						
Shasta Receiving Area 2/	0 TO 29 29 + TO 49 49 +	0.13 0.16 0.19						
Southern California Receiving Area 3/ From Inyo, Los Angeles, Mono, Orange, Riverside, San Bernardino, and Ventura Counties	0 TO 89 89 + TO 139 139 +	0.09 0.43 0.58				0.10 0.48 0.62	0.09 0.12 0.12	0.09 0.48 0.75
From Santa Barbara, San Diego, Imperial, Kern, Kings, and Tulare Counties	0 TO 89 89 + TO 139 139 +	0.09 0.43 0.58				0.10 0.48 0.62	0.09 0.48 0.58	0.09 0.48 0.75
From all other counties	0 TO 89 89 + TO 139 139 +	0.09 0.43 0.58				0.10 0.48 0.62	0.00 0.00 0.00	0.09 0.48 0.75
San Diego Receiving Area From Inyo, Los Angeles, Mono, Orange, Riverside, San Bernardino, and Ventura Counties	0 TO 89 89 + TO 139 139 +	0.09 0.43 0.58				0.10 0.10 0.10	0.09 0.12 0.12	
From Santa Barbara, San Diego, Imperial, Kern, Kings, and Tulare Counties	0 TO 89 89 + TO 139 139 +	0.09 0.43 0.58				0.10 0.10 0.10	0.09 0.48 0.58	
From all other counties	0 TO 89 89 + TO 139 139 +	0.09 0.43 0.58				0.10 0.10 0.10	0.00 0.00 0.00	

1/ Alameda, Contra Costa, San Francisco, San Mateo, Santa Clara, and Santa Cruz Counties.

2/ Transportation Allowances for the Shasta Receiving Area have not been used since mid 1996.

3/ Los Angeles, Orange, Riverside, and Ventura Counties.

4/ The Clover-Stornetta Proposal would add Marin and Sonoma Counties to the Bay Area Receiving Area. There would be no change in rates.

5/ The CDI proposal would have the Bay Area Receiving Area composed only of Alameda and Contra Costa Counties.

6/ The Insitute proposal make Marin and Sonoma Counties the new "North Bay Receiving Area".

end

**Table 2 - SUMMARY OF Proposed CHANGES IN AREA DIFFERENTIALS
AND TRANSPORTATION CREDITS: Plant-to-Plant**

			HEARING DATE ORDER DATE		Current Jun 2003 Aug 2003	Alternative Proposal of LOL	Alternative Proposal of CDI
SUPPLY COUNTIES	MILK TYPE	DEFICIT COUNTIES					
Los Angeles	Bulk Milk and Condensed Skim	Riverside, San Diego and Ventura	Differential		0.00		0.00
			Credit		0.34		0.48
			Total		\$0.34		\$0.48
		Orange ^{3/}	Differential		0.00		0.00
			Credit		0.34		0.38
			Total		\$0.34		\$0.38
Tulare	Bulk Milk	Los Angeles, Orange, and Ventura	Differential		0.27	0.27	
			Credit		0.60	0.75	
			Total		\$0.87	\$1.02	
		Riverside, and San Diego ^{1/}	Differential		0.27	0.27	
			Credit		0.68	0.84	
			Total		\$0.95	\$1.11	
	Condensed Skim	Los Angeles, Orange, and Ventura	Differential		0.19	0.19	
			Credit		0.60	0.81	
			Total		\$0.79	\$1.00	
		Riverside, and San Diego ^{1/}	Differential		0.19	0.19	
			Credit		0.68	0.90	
			Total		\$0.87	\$1.09	
Kings and Fresno ^{2/}	Bulk Milk and Condensed Skim	Los Angeles, Orange, and Ventura	Differential		0.27	0.27	
			Credit		0.63	0.78	
			Total		\$0.90	\$1.05	
		Riverside, and San Diego	Differential		0.27	0.27	
			Credit		0.71	0.87	
			Total		\$0.98	\$1.14	
Sonoma	Bulk Milk and Condensed Skim	Alameda, San Francisco and Santa Clara	Differential		0.00		
			Credit		0.27		
			Total		\$0.27		
Merced and Stanislaus (part)	Bulk Milk and Condensed Skim	Alameda, San Francisco and Santa Clara	Differential		0.00		
			Credit		0.38		
			Total		\$0.38		

^{1/} The LOL proposal would eliminate San Diego as a deficit county.

^{2/} The LOL proposal would eliminate Fresno as a supply county.

^{3/} The CDI proposal would add Los Angeles as a Deficit county.